

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

UNITED STATES OF AMERICA	:	CRIMINAL NO. <u>08-592</u>
v.	:	DATE FILED: <u>March 12, 2009</u>
JOHN P. KAROLY, JR.	:	VIOLATIONS:
JOHN J. SHANE		26 U.S.C. § 7206(1) (willfully filing
JOHN P. KAROLY, III,	:	false federal income tax returns - 5
a/k/a "JP Karoly"		counts)
HEATHER J. KOVACS		18 U.S.C. § 371 (conspiracy to commit
		wire fraud - 1 count)
		18 U.S.C. § 1343 (wire fraud - 2 counts)
		18 U.S.C. § 1341 (mail fraud - 3 counts)
		18 U.S.C. § 1956(a)(1)(money laundering -
		3 counts)
		18 U.S.C. § 1957 (engaging in monetary
		transactions in property derived from
		specified unlawful activity - 3 counts)
		18 U.S.C. § 2 (aiding and abetting)
		Notice of forfeiture

SUPERSEDING INDICTMENT

COUNT ONE

THE GRAND JURY CHARGES THAT:

On or about February 9, 2004, in the Eastern District of Pennsylvania, defendant

JOHN P. KAROLY, JR.

willfully made and subscribed a United States income tax return, Form 1040, for the calendar year 2002, which was verified by a written declaration that it was made under the penalty of perjury and filed with the Internal Revenue Service, which defendant JOHN P. KAROLY, JR. did not believe to be true and correct as to every material matter, in that the individual income tax return reported taxable income of approximately \$0.00, when in fact, as defendant JOHN P.

KAROLY, JR. well knew, he failed to report additional taxable income of approximately \$834,267.

In violation of Title 26, United States Code, Section 7206(1).

COUNT TWO

THE GRAND JURY FURTHER CHARGES THAT:

On or about April 19, 2006, in the Eastern District of Pennsylvania, defendant

JOHN P. KAROLY, JR.

willfully made and subscribed a United States income tax return, Form 1040, for the calendar year 2004, which was verified by a written declaration that it was made under the penalty of perjury and filed with the Internal Revenue Service, which defendant JOHN P. KAROLY, JR. did not believe to be true and correct as to every material matter, in that the individual income tax return reported taxable income of approximately \$881,353, when in fact, as defendant JOHN P. KAROLY, JR. well knew, he failed to report additional taxable income of approximately \$3,304,258.

In violation of Title 26, United States Code, Section 7206(1).

COUNT THREE

THE GRAND JURY FURTHER CHARGES THAT:

On or about April 15, 2006, in the Eastern District of Pennsylvania, defendant

JOHN P. KAROLY, JR.

willfully made and subscribed a United States income tax return, Form 1040, for the calendar year 2005, which was verified by a written declaration that it was made under the penalty of perjury and filed with the Internal Revenue Service, which defendant JOHN P. KAROLY, JR. did not believe to be true and correct as to every material matter, in that the individual income tax return reported taxable income of approximately \$565,963, when in fact, as defendant JOHN P. KAROLY, JR. well knew, he failed to report additional taxable income of approximately \$1,062,570.

In violation of Title 26, United States Code, Section 7206(1).

COUNT FOUR

THE GRAND JURY FURTHER CHARGES THAT:

BACKGROUND

At all times material to this indictment:

1. Defendant JOHN P. KAROLY, JR. (“JOHN KAROLY”) was an attorney licensed to practice law in Pennsylvania who had a law office at 1555 N. 18th Street, Allentown, Pennsylvania.

2. Peter J. Karoly, defendant JOHN KAROLY’s brother, was an attorney in Allentown, who was married to Lauren B. Angstadt, a dentist with a practice in Allentown. There were no children from this marriage.

3. Defendant JOHN KAROLY and Peter J. Karoly practiced law together until approximately March 1, 1986, when they terminated their practice, called Karoly and Karoly, because of “unhappy differences,” pursuant to a written agreement, and each has operated a separate law practice since 1986.

4. Defendant JOHN KAROLY was the father of defendant JOHN P. KAROLY, III, a/k/a “JP Karoly” (“JP KAROLY”). Defendant JP KAROLY was an attorney in Allentown who practiced in his father’s office.

5. Defendant JOHN J. SHANE was a medical doctor who performed expert witness services from time to time for Peter J. Karoly and defendant JOHN KAROLY. Defendant SHANE also had a social relationship with Peter J. Karoly and Lauren B. Angstadt.

6. On February 2, 2007, Peter J. Karoly and Lauren B. Angstadt were killed in a private plane crash in Massachusetts.

7. Peter J. Karoly and Lauren B. Angstadt each executed a will dated October 10, 1985 (“the authentic wills”), which generally divided their estates among their siblings, but which excluded defendant JOHN KAROLY as an heir.

8. On or about October 10, 1985, Peter J. Karoly provided the authentic wills of Peter J. Karoly and Lauren B. Angstadt to the trustee/attorney named in the wills. The trustee/attorney maintained possession of the authentic wills in his law office from on or about October 10, 1985 until they were filed for probate in February 2007.

THE CONSPIRACY

9. From on or about February 2, 2007 through on or about the date of this indictment, in the Eastern District of Pennsylvania, and elsewhere, defendants

**JOHN P. KAROLY, JR.,
JOHN J. SHANE, and
JOHN P. KAROLY, III,
a/k/a “JP Karoly,”**

conspired and agreed, together and with others known and unknown to the grand jury, to commit an offense against the United States, that is, wire fraud, by devising and intending to devise a scheme to defraud the estates of Peter J. Karoly and Lauren B. Angstadt and the beneficiaries of the estates and to obtain money and property by means of false and fraudulent pretenses, representations and promises, in violation of Title 18, United States Code, Section 1343.

MANNER AND MEANS

10. It was part of the conspiracy that the defendants caused false and fictitious wills dated June 2, 2006 for Peter J. Karoly and Lauren B. Angstadt (“the false and fictitious wills”) to be created. The false and fictitious wills purported to leave a significant portion of the multi-million dollar estates of Peter J. Karoly and Lauren B. Angstadt to defendant JOHN KAROLY, and defendant JOHN KAROLY’s two sons, in addition to providing for various

nieces and nephews, contrary to the authentic wills.

It was further a part of the conspiracy that:

11. Defendants JOHN KAROLY, JOHN J. SHANE, and JP KAROLY offered the false and fictitious wills they caused to be created to family members and the Northampton County Register of Wills as being the true wills of Peter J. Karoly and Lauren B. Angstadt.

12. Defendants JOHN KAROLY, JOHN J. SHANE, and JP KAROLY made and caused to be made false representations to family members and others in an attempt to convince them of the authenticity of the false and fictitious wills.

13. The defendants attempted to convince J.F., the adopted cousin of defendant JOHN KAROLY, to sign the false and fictitious will of Peter J. Karoly as a witness after Peter J. Karoly's death.

14. Defendants JOHN KAROLY and JP KAROLY created a false cover story in which they claimed that the false and fictitious wills were discovered by defendant JP KAROLY and G.K., defendant JP KAROLY's roommate, in a remote private storage trailer on property owned by a former client of defendant JOHN KAROLY.

OVERT ACTS

_____ In furtherance of the conspiracy, defendants JOHN KAROLY, JOHN J. SHANE, and JP KAROLY, and others known and unknown to the grand jury, committed the following overt acts in the Eastern District of Pennsylvania, and elsewhere:

1. On or about February 5, 2007, after learning about the existence of the Peter J. Karoly's and Lauren B. Angstadt's authentic wills, defendant JOHN KAROLY advised the trustee/attorney named in these wills that defendant JOHN KAROLY would notify Angstadt's family members about the existence of Angstadt's will. Despite his assurance to the

trustee/attorney, defendant JOHN KAROLY failed to notify any of Angstadt's family members about the existence of the authentic wills.

2. On or about February 8, 2007, defendant JOHN KAROLY falsely stated to family members that there were no wills for Peter J. Karoly and Lauren B. Angstadt, despite his knowledge that there were such wills.

3. On or about February 11, 2007, defendant JOHN KAROLY told K.A., Lauren B. Angstadt's sister, that during the summer of 2006, Peter J. Karoly had given him a sealed packet of documents that defendant JOHN KAROLY did not look at and had put in a storage area.

4. On or about February 14 or 15, 2007, defendant JOHN KAROLY told the trustee/attorney named in the authentic wills that Peter J. Karoly had given him a box of important documents that defendant JOHN KAROLY put in a storage area in a bank building. On or about February 15, 2007, defendant JOHN KAROLY received a copy of Peter J. Karoly's authentic will by fax from the trustee/attorney and learned that he was not named as a beneficiary or in any other capacity.

5. On or about February 15, 2007, defendant JOHN KAROLY requested a delay in filing to probate the authentic will of Peter J. Karoly. On or about February 19, 2007, defendant JOHN KAROLY learned that the authentic will of Peter J. Karoly had been filed and was to be probated in the Northampton County Court, Register of Wills Office in Easton, Pennsylvania.

6. Between on or about February 18, 2007, and on or about February 20, 2007, more than two weeks after the deaths of Peter J. Karoly and Lauren B. Angstadt, defendant JOHN J. SHANE signed as the sole witness to the false and fictitious wills for both Peter J.

Karoly and Angstadt, knowing that he did not witness Peter J. Karoly or Angstadt sign these wills.

7. On or about February 18, 2007, defendant JOHN KAROLY spoke to J.F. by cell phone and requested that J.F. meet with defendants JOHN J. SHANE and JP KAROLY at the Bethlehem residence of Peter J. Karoly and Lauren B. Angstadt.

8. On or about February 18, 2007, after meeting with J.F. at the residence of Peter J. Karoly and Lauren B. Angstadt, defendant JP KAROLY requested that J.F. go to defendant JOHN KAROLY's residence to meet with defendant JOHN KAROLY.

9. On or about February 18, 2007, eight days after the funeral of Peter J. Karoly, inside the residence of defendant JOHN KAROLY and in the presence of defendants JOHN J. SHANE and JP KAROLY, defendant JOHN KAROLY requested that J.F. sign the false and fictitious will of Peter J. Karoly as a witness to the will, "if [J.F.] felt comfortable doing it." This false and fictitious will had already been signed by defendant JOHN J. SHANE on a line provided as a witness. After briefly looking at the document, J.F. refused to sign it.

10. On or about February 20, 2007, defendant JP KAROLY and G.K. traveled to a property containing a stone and patio tile manufacturing plant and store in Nazareth, Pennsylvania, owned by one of defendant JOHN KAROLY's former clients. This property also contained an active cement plant and numerous shipping containers used for storage. The storage containers had no electricity, no heat, and were not airtight to prevent moisture from getting inside the shipping containers.

11. On or about February 20, 2007, defendant JOHN KAROLY claimed that G.K. found the false and fictitious wills of Peter J. Karoly and Lauren B. Angstadt inside a shipping container at the stone and patio tile manufacturing plant and store in Nazareth.

12. On or about February 20, 2007, defendant JOHN KAROLY met with J.F. at defendant JOHN KAROLY's law office and told J.F. that defendant JOHN KAROLY "had all his bases covered" in response to J.F. telling defendant JOHN KAROLY that some members of the Karoly family may not go along with or agree that the false and fictitious wills were authentic.

13. On or about February 20, 2007, defendant JOHN KAROLY directed his wife to make a telephone call from their residence in Pennsylvania to K.L., defendant JOHN KAROLY's sister, in Florida to advise her that defendant JOHN KAROLY had found the "original will" of Peter J. Karoly, and that defendant JOHN KAROLY would share the contents of the will if she called him.

14. On or about February 20, 2007, defendant JOHN KAROLY made a telephone call from his residence in Pennsylvania to C.P., defendant JOHN KAROLY's sister, in New Jersey, and falsely stated to her that a new will for Peter J. Karoly had been found; he also listed certain details of the contents of this will, how this will was found, and that defendant JOHN J. SHANE was the witness to this will.

15. On or about February 21, 2007, defendant JP KAROLY made a telephone call to CP in New Jersey and advised her of certain details about the contents of the false and fictitious will of Peter J. Karoly.

16. On or about February 21, 2007, defendant JOHN KAROLY made arrangements to file for probate the false and fictitious will of Peter J. Karoly in the Northampton County Court, Register of Wills Office.

17. On or about February 21, 2007, defendant JOHN KAROLY caused a copy of the false and fictitious will of Lauren B. Angstadt to be faxed to K.A.

18. On or about February 22, 2007, defendant JOHN KAROLY caused the false and fictitious will of Peter J. Karoly to be filed for probate in the Northampton County Court, Register of Wills Office.

19. On or about February 22, 2007, defendant JOHN KAROLY caused the false and fictitious will of Lauren B. Angstadt to be filed for probate in the Northampton County Court, Register of Wills Office, without any prior knowledge or authorization from any member of the Angstadt family or their attorneys.

20. On or about February 23, 2007, defendant JOHN J. SHANE signed an Oath of Subscribing Witness, filed in Northampton County Court, Register of Wills Office, which falsely stated that he was present on June 2, 2006 at the time Peter J. Karoly and Lauren B. Angstadt each signed the false and fictitious wills.

21. On or about February 26, 2007, defendant JP KAROLY made a telephone call to C.P. in New Jersey to discuss that K.L. was going to protest and object to the false and fictitious will of Peter J. Karoly. Defendant JP KAROLY agreed to fax copies of the authentic will of Peter J. Karoly and the false and fictitious wills of Peter J. Karoly and Lauren B. Angstadt to C.P. in New Jersey from his law office in Pennsylvania.

22. On or about February 26, 2007, defendant JP KAROLY caused a copy of the false and fictitious wills of Peter J. Karoly and Lauren B. Angstadt and a copy of the authentic will of Peter J. Karoly, to be faxed from defendant JOHN KAROLY's law office in Pennsylvania, to CP in New Jersey.

All in violation of Title 18, United States Code, Section 371.

COUNTS FIVE AND SIX

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs One through Eight and Ten through Fourteen, together with all of the Overt Acts of Count Four of this indictment are incorporated here.

2. On or about each of the dates listed below, in the Eastern District of Pennsylvania and elsewhere, defendants

**JOHN P. KAROLY, JR.,
JOHN J. SHANE, and
JOHN P. KAROLY III,
a/k/a "JP Karoly,"**

for the purpose of executing the scheme described above, and aiding and abetting its execution, caused to be transmitted by means of wire communications in interstate commerce the signals and sounds described below, each transmission constituting a separate count of this indictment:

<u>COUNT</u>	<u>DATE</u>	<u>ITEM</u>
5	2/20/07	Telephone call from defendant JOHN P. KAROLY, JR.'s residence in Allentown, Pennsylvania, to K.L.in Florida, advising K.L. that defendant JOHN P. KAROLY, JR. had found a will of Peter J. Karoly dated June 2, 2006.
6	2/26/07	Fax copies of authentic and false and fictitious wills of Peter J. Karoly and Lauren B. Angstadt, from defendant JOHN P. KAROLY, JR.'s law office in Allentown, Pennsylvania, to C.P. in New Jersey.

All in violation of Title 18, United States Code, Sections 1343 and 2.

COUNTS SEVEN THROUGH NINE

THE GRAND JURY FURTHER CHARGES THAT:

At all times material to this indictment:

1. The Lehigh Valley Community Foundation was a charitable foundation located in Allentown, Pennsylvania, which offered its donors the option of establishing a charitable fund, either temporary or permanent, to fulfill charitable and philanthropic purposes by making grants from Foundation funds to qualified non-profit organizations and programs. All grants from funds of the Foundation are made based upon recommendations by the donors of the funds, and are presented to the Foundation's Board of Governors for review and consideration. All grants from any funds of the Foundation must be approved by the Foundation's Board of Governors and their determination is final. Any donor fund and grants from a fund are subject to the ultimate control and absolute discretion of the Foundation.

2. The Dubbs Memorial United Church of Christ was a non-profit religious organization and church located in Allentown, Pennsylvania, which was tax-exempt under Internal Revenue Code Section 501(c)(3).

3. The Urban Wilderness Foundation was a private organization which was not tax-exempt under Internal Revenue Code Section 501(c)(3), created on or about December 30, 2005 in Pennsylvania, with a principal office address of 1555 North 18th Street in Allentown, Pennsylvania. This is the same address as the law office of defendant JOHN P. KAROLY, JR. ("JOHN KAROLY"). Defendant JOHN KAROLY was President of Urban Wilderness Foundation.

4. The Urban Wilderness Foundation and the law office of John P. Karoly, Jr., each maintained a checking account at Lafayette Ambassador Bank. Defendant JOHN

KAROLY was the sole signatory authority on the Urban Wilderness Foundation checking account.

THE SCHEME

5. From on or about December 30, 2004 through on or about September 26, 2007, defendant

JOHN P. KAROLY, JR.

devised and intended to devise a scheme to defraud the Lehigh Valley Community Foundation and the Dubbs Memorial United Church of Christ, and to obtain money and property by means of false and fraudulent pretenses, representations, and promises.

MANNER AND MEANS

It was part of the scheme that:

5. On or about December 30, 2004, defendant JOHN KAROLY wrote a \$500,000 check to the Lehigh Valley Community Foundation as a charitable donation for calendar year 2004. As such, these funds became irrevocably owned by the Lehigh Valley Community Foundation as of that date.

6. Defendant JOHN KAROLY took a \$500,000 charitable deduction, based upon his \$500,000 donation to Lehigh Valley Community Foundation, on his 2004 federal income tax return which was filed two years later on or about April 19, 2006.

7. In or about March 2005, defendant JOHN KAROLY, together with his accountant, met with representatives of the Lehigh Valley Community Foundation to discuss the charitable intentions of donor defendant JOHN KAROLY. Representatives of the Lehigh Valley Community Foundation provided defendant JOHN KAROLY with various materials relating to donor funds including a “worksheet” and Fund Agreement which they required donors to

complete and return. Defendant JOHN KAROLY did not complete, sign or send back the “worksheet” or the Fund Agreement to the Lehigh Valley Community Foundation.

8. In or about September 2005, defendant JOHN KAROLY received a second set of various necessary documents from the Lehigh Valley Community Foundation relating to a “worksheet” in which to prepare the donor’s intentions for the charitable donation and a Fund Agreement which was required by the Lehigh Valley Community Foundation to be signed by the donor defendant JOHN KAROLY. These documents were never completed, signed or sent back to the Lehigh Valley Community Foundation by defendant JOHN KAROLY.

9. On or about March 9, 2006, defendant JOHN KAROLY received another copy of the Fund Agreement which was required by the Lehigh Valley Community Foundation to be signed by the donor defendant JOHN KAROLY. The Fund Agreement was never completed, signed or sent back to the Lehigh Valley Community Foundation by defendant JOHN KAROLY.

10. On or about December 6, 2006, after defendant JOHN KAROLY had taken the \$500,000 charitable deduction on his 2004 federal income tax return which was filed on or about April 19, 2006, defendant JOHN KAROLY sent a letter to the Lehigh Valley Community Foundation and requested that the entire balance of funds donated by defendant JOHN KAROLY be immediately transferred to “The Urban Wilderness Foundation, c/o John P. Karoly Jr.”

11. Defendant JOHN KAROLY failed to provide any information or confirmation to The Lehigh Valley Foundation about the Urban Wilderness Foundation or whether the Urban Wilderness Foundation was a qualified organization as a charitable non-profit, tax-exempt organization under Internal Revenue Code Section 501(c)(3). After exercising its own due diligence, the Lehigh Valley Community Foundation did not distribute a grant for the entire balance of donated funds to the Urban Wilderness Foundation as recommended by defendant

JOHN KAROLY since the Urban Wilderness Foundation was determined to be a private foundation which was not a qualified non-profit, tax-exempt charitable organization under Internal Revenue Code Section 501(c)(3).

12. To circumvent this refusal by the Lehigh Valley Community Foundation to distribute a grant for the entire balance of defendant JOHN KAROLY's donated funds to the Urban Wilderness Foundation, defendant JOHN KAROLY decided to use the Dubbs Memorial United Church of Christ, a qualified non-profit tax-exempt religious organization and a church attended by defendant JOHN KAROLY, as a conduit through which he could get the funds to the Urban Wilderness Foundation.

13. Between on or about February 8, 2007 and on or about February 21, 2007, defendant JOHN KAROLY requested that the Lehigh Valley Community Foundation make \$90,000 in grants to the Dubbs Memorial United Church of Christ. Lehigh Valley Foundation agreed and made a grant of \$75,000 to the Dubbs Memorial United Church of Christ by hand-delivering a check on or about February 8, 2007, and mailing a copy of the grant letter by United States mail to defendant JOHN KAROLY.

14. On or about February 21, 2007, the Lehigh Valley Community Foundation made an additional \$15,000 grant to the Dubbs Memorial United Church of Christ by mailing a check delivered by United States mail, and by mailing a copy of the grant letter to defendant JOHN KAROLY.

15. On or about February 13, 2007, defendant JOHN KAROLY directed the Dubbs Memorial United Church of Christ to use \$33,864.03 of the \$90,000 grant to pay for personal expenses of defendant JOHN KAROLY relating to the funeral and catering expenses of his brother Peter J. Karoly's memorial service.

16. On or about September 4, 2007, defendant JOHN KAROLY received a fax from Lehigh Valley Community Foundation entitled "Request for Information," which was to obtain required information from defendant JOHN KAROLY about the Urban Wilderness Foundation, and whether it would be considered a qualified charitable organization which could receive a grant from Lehigh Valley Community Foundation.

17. Defendant JOHN KAROLY failed to complete, sign and return the one page "Request for Information" form about the Urban Wilderness Foundation and further failed to provide any necessary information to the Lehigh Valley Community Foundation about the Urban Wilderness Foundation.

18. On or about September 17, 2007, defendant JOHN KAROLY requested that the Lehigh Valley Community Foundation make a grant to the Dubbs Memorial United Church of Christ for the entire balance of funds given by defendant JOHN KAROLY. On or about September 18, 2007, Lehigh Valley Foundation made a grant to Dubbs Memorial United Church of Christ for the entire balance of funds in the amount of \$433,569.78. This check was sent by United States mail from the Lehigh Valley Community Foundation to the Dubbs Memorial United Church of Christ on or about September 18, 2007.

19. On or about September 19, 2007, defendant JOHN KAROLY directed the Dubbs Memorial United Church of Christ to pay \$90,000 from the \$433,569.78 to the Urban Wilderness Foundation, which the Church did as directed on or about September 21, 2007.

20. On or about September 26, 2007, defendant JOHN KAROLY directed the Dubbs Memorial United Church of Christ to pay \$293,569.78 from the remaining balance of the \$433,569.78 to the Urban Wilderness Foundation, which was paid by the Dubbs Memorial United Church of Christ by delivering an endorsed check payable to Dubbs Memorial United

Church of Christ to the law office of defendant JOHN KAROLY. That check was deposited into an account of the Urban Wilderness Foundation on or about September 26, 2007.

21. By these actions described above, defendant JOHN KAROLY directed the Dubbs Memorial United Church of Christ to give back to him, acting through the Urban Wilderness Foundation, approximately \$383,569.78 of the total \$433,569.78 given to the church. All of these returned funds were then used by defendant JOHN KAROLY for his law office expenses and his own personal expenses, with little or no money being used for any charitable purpose.

22. On or about each of the dates listed below, each date constituting a separate count of this indictment, in the Eastern District of Pennsylvania, and elsewhere, defendant

JOHN P. KAROLY, JR.,

for the purpose of executing the scheme described above, and attempting to do so, knowingly caused to be delivered by mail according to the directions thereon, various checks representing charitable grant funds, and accompanying grant letters, from the Lehigh Valley Community Foundation to the Dubbs Memorial United Church of Christ, as follows:

<u>COUNT</u>	<u>DATE</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>
7	2/8/07	Lehigh Valley Community Foundation hand-delivered a check to Dubbs Memorial UCC and mailed a copy of the grant letter to John P. Karoly, Jr.	\$75,000
8	2/21/07	Lehigh Valley Community Foundation mailed a check to Dubbs Memorial United Church of Christ and a copy of the grant letter to John P. Karoly, Jr.	\$15,000

<u>COUNT</u>	<u>DATE</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>
9	9/18/07	Lehigh Valley Community Foundation mailed a check to Dubbs Memorial United Church of Christ	\$433,569.78

All in violation of Title 18, United States Code, Section 1341.

COUNTS TEN THROUGH TWELVE

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs One through Twenty-One of Counts Seven through Nine of this indictment are restated and incorporated here.

2. When conducting and willfully causing the financial transactions described below, defendant JOHN P. KAROLY, JR. knew that the property involved in those financial transactions represented the proceeds of some form of unlawful activity.

3. The financial transactions described below were the proceeds of a specified unlawful activity, that is, mail fraud, in violation of Title 18, United States Code, Section 1341, and defendant JOHN P. KAROLY, JR. acted with the knowledge that the transactions were designed, in whole and in part, to conceal and disguise the nature, location, source, ownership and control of the proceeds of the specified unlawful activity.

4. On or about the dates set forth below, in Allentown, in the Eastern District of Pennsylvania, and elsewhere, defendant

JOHN P. KAROLY, JR.

knowingly conducted and attempted to conduct, and willfully caused, the following financial transactions affecting interstate commerce:

<u>COUNT</u>	<u>DATE</u>	<u>TRANSACTION</u>
_____ 10.	2/10/07 - 2/21/07	Defendant JOHN P. KAROLY, JR. directed Dubbs Memorial United Church of Christ to pay \$33,864.03 in personal expenses for defendant JOHN P. KAROLY, JR. relating to his brother's funeral and catering expenses from \$90,000 in grants from Lehigh Valley Community Foundation to Dubbs Memorial United Church of Christ.

COUNT	DATE	TRANSACTION
11.	9/18/07 - 9/21/07	Defendant JOHN P. KAROLY, JR. directed Dubbs Memorial United Church of Christ to pay \$90,000 back to Urban Wilderness Foundation from a \$433,569.78 grant from Lehigh Valley Community Foundation to Dubbs Memorial United Church of Christ.
12.	9/26/07	Defendant JOHN P. KAROLY, JR. directed Dubbs Memorial United Church of Christ to pay \$293,569.78 back to Urban Wilderness Foundation from the \$433,569.78 grant from Lehigh Valley Community Foundation to Dubbs Memorial United Church of Christ.

All in violation of Title 18, United States Code, Section 1956(a)(1)(B)(I) and 2.

COUNTS THIRTEEN THROUGH FIFTEEN

THE GRAND JURY FURTHER CHARGES THAT:

1. Paragraphs One through Twenty-One of Counts Seven through Nine of this indictment are restated and incorporated here.

2. On or about the dates set forth below, in Allentown, in the Eastern District of Pennsylvania, and elsewhere, defendant

JOHN P. KAROLY, JR.

knowingly engaged in, attempted to engage in, and willfully caused a monetary transaction affecting interstate commerce in criminally derived property of a value greater than \$10,000, described more fully below, and such property was derived from a specified unlawful activity, that is, mail fraud, in violation of Title 18, United States Code, Section 1341:

<u>COUNT</u>	<u>DATE</u>	<u>TRANSACTION</u>
13.	2/10/07 - 2/21/07	Defendant JOHN P. KAROLY, JR. directed Dubbs Memorial United Church of Christ to pay \$33,864.03 in personal expenses for defendant JOHN P. KAROLY, JR. relating to his brother's funeral and catering expenses from \$90,000 in grants from Lehigh Valley Community Foundation to Dubbs Memorial United Church of Christ.
14.	9/18/07 - 9/21/07	Defendant JOHN P. KAROLY, JR. directed Dubbs Memorial United Church of Christ to pay \$90,000 back to Urban Wilderness Foundation from a \$433,569.78 grant from Lehigh Valley Community Foundation to Dubbs Memorial United Church of Christ.

COUNT	DATE	TRANSACTION
15.	9/26/07	Defendant JOHN P. KAROLY, JR. directed Dubbs Memorial United Church of Christ to pay \$293,569.78 back to Urban Wilderness Foundation from the \$433,569.78 grant from Lehigh Valley Community Foundation to Dubbs Memorial United Church of Christ.

All in violation of Title 18, United States Code, Sections 1957 and 2.

COUNT SIXTEEN

THE GRAND JURY FURTHER CHARGES THAT:

On or about April 15, 2005, in the Eastern District of Pennsylvania, defendant

HEATHER J. KOVACS

willfully made and subscribed a United States income tax return, Form 1040, for the calendar year 2004, which was verified by a written declaration that it was made under the penalty of perjury and filed with the Internal Revenue Service, which defendant HEATHER J. KOVACS did not believe to be true and correct as to every material matter, in that the individual income tax return reported taxable income of approximately \$76,670, when in fact, as defendant HEATHER J. KOVACS well knew, she failed to report additional taxable income of approximately \$50,800.

In violation of Title 26, United States Code, Section 7206(1).

COUNT SEVENTEEN

THE GRAND JURY FURTHER CHARGES THAT:

On or about April 15, 2006, in the Eastern District of Pennsylvania, defendant

HEATHER J. KOVACS

willfully made and subscribed a United States income tax return, Form 1040, for the calendar year 2005, which was verified by a written declaration that it was made under the penalty of perjury and filed with the Internal Revenue Service, which defendant HEATHER J. KOVACS did not believe to be true and correct as to every material matter, in that the individual income tax return reported taxable income of approximately \$56,761, when in fact, as defendant HEATHER J. KOVACS well knew, she failed to report additional taxable income of approximately \$19,600.

In violation of Title 26, United States Code, Section 7206(1).

NOTICE OF FORFEITURE

THE GRAND JURY FURTHER CHARGES THAT:

1. As a result of the violations of Title 18, United States Code, Sections 1956(a) and 1957, set forth in this superseding indictment, defendant

JOHN P. KAROLY, JR.

shall forfeit to the United States of America any and all property involved in such offenses, and any property traceable to such property, including, but not limited to, the sum of \$417,433.81,

2. If any of the property subject to forfeiture, as a result of any act or omission of the defendant:

- (a) cannot be located upon the exercise of due diligence;
- (b) has been transferred or sold to, or deposited with, a third party;
- (c) has been placed beyond the jurisdiction of the Court;
- (d) has been substantially diminished in value; or
- (e) has been commingled with other property which cannot be divided without difficulty;

it is the intent of the United States, pursuant to Title 18, United States Code, Section 982(b), incorporating Title 21, United States Code, Section 853(p), to seek forfeiture of any other property of the defendant up to the value of the property subject to forfeiture.

All pursuant to Title 18, United States Code, Section 982.

NOTICE OF FORFEITURE

THE GRAND JURY FURTHER CHARGES THAT:

1. As a result of the violations of Title 18, United States Code, Section 1341, set forth in this indictment, defendant

JOHN P. KAROLY, JR.

shall forfeit to the United States of America any property, real or personal, that constitutes or is derived from proceeds traceable to the commission of such offenses, including, but not limited to the following:

- (a) the sum of Four Hundred and Seventeen Thousand Four Hundred and Thirty Three Dollars and Eighty-One Cents (\$417,433.81).

2. If any of the property subject to forfeiture, as a result of any act or omission of the defendant:

- (a) cannot be located upon the exercise of due diligence;
- (b) has been transferred or sold to, or deposited with, a third party;
- (c) has been placed beyond the jurisdiction of the Court;
- (d) has been substantially diminished in value; or
- (e) has been commingled with other property which cannot be divided without difficulty;

it is the intent of the United States of America, pursuant to Title 18, United States Code, Section 981(a)(1)(A) and(C), Title 28, United States Code, Section 2461(c), incorporating Title 21, United States Code, Section 853(p), to seek forfeiture of any other property of the defendant up

to the value of the property subject to forfeiture.

All pursuant to Title 28, United States Code, Section 2461(c) and Title 18, United States Code, Section 981(a)(1)(A) and(C).

A TRUE BILL:

GRAND JURY FOREPERSON

LAURIE MAGID
United States Attorney